

Hearing Date: August 10, 2023 at 10:00 am
Objection Deadline: August 3, 2023 at 4:00 pm

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**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

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In re:	:	Chapter 11
	:	
CELSIUS NETWORK LLC, <i>et al.</i> , ¹	:	Case No. 22-10964 (MG)
	:	Jointly Administered
Debtors.	:	
	:	Re: Dkt. No. 3064
	x	

**RESPONSE OF IGNAT TUGANOV IN SUPPORT OF THE
JOINT MOTION FOR ENTRY OF AN ORDER
(I) APPROVING THE SETTLEMENT BY AND AMONG
THE DEBTORS AND THE COMMITTEE WITH RESPECT TO
THE COMMITTEE'S CLASS CLAIM AND (II) GRANTING RELATED RELIEF**

¹ The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal tax identification number, are: Celsius Network LLC (2148); Celsius KeyFi LLC (4414); Celsius Lending LLC (8417); Celsius Mining LLC (1387); Celsius Network Inc. (1219); Celsius Network Limited (8554); Celsius Networks Lending LLC (3390); Celsius US Holding LLC (7956); GK8 USA LLC (9450); GK8 Ltd. (1209); and GK8 UK Limited (0893). The location of Debtor Celsius Network LLC's principal place of business and the Debtors' service address in these chapter 11 cases is 50 Harrison Street, Suite 209F, Hoboken, New Jersey 07030.

Ignat Tuganov (“Mr. Tuganov”), a creditor of the above-captioned debtors and debtors-in-possession (collectively, the “Debtors”) and one of three proposed class representatives (collectively, the “Class Representatives”) in connection with the Official Unsecured Creditors’ Committee’s efforts to certify the class of account holders holding non-contract claims against the Debtors, by and through his undersigned counsel, hereby submits this response (the “Response”) in support of the *Joint Motion For Entry of An Order (I) Approving the Settlement By and Among the Debtors and the Committee With Respect to the Committee’s Class Action and (II) Granting Related Relief* [Dkt. No. 3064] (the “Class Settlement Motion”) and respectfully represents as follows:

BACKGROUND²

1. On July 13, 2022, certain of the Debtors filed voluntary petitions for relief under chapter 11 of the Bankruptcy Code. On December 7, 2022, Debtors GK8 Ltd., GK8 UK Limited, and GK8 USA LLC each filed a voluntary petition for relief under chapter 11 of the Bankruptcy Code. These chapter 11 cases have been consolidated for procedural purposes only and are jointly administered pursuant to Bankruptcy Rule 1015(b). *See* Dkt Nos. 53 and 1648. The Debtors continue to operate their businesses as debtors-in-possession under sections 1107(a) and 1108 of the Bankruptcy Code. On July 27, 2022, the United States Trustee for the Southern District of New York appointed an official committee of unsecured creditors [Dkt No. 241] (the “Committee”).

2. On April 10, 2023, the Committee filed the *Motion of the Official Committee of Unsecured Creditors (I) for Authority to File a Class Claim Asserting Non-Contract Claims on*

² Capitalized terms not otherwise defined herein have the same meaning ascribed to those terms in the Class Settlement Motion.

Behalf of Account Holders or (II) to Appoint a Third-Party Fiduciary to Assert a Class Claim on Behalf of Account Holders [Dkt. No. 2399] (the “Class Claim Motion”) seeking authority to file a class claim or other collective action (the “Class Claim”) on behalf of all Account Holders and assert fraud, misrepresentation, and other statutory claims against each Debtor entity. Thereafter, Mr. Tuganov was selected as one of the three proposed class representatives of the Committee’s putative class.

3. Following a three-day mediation process with Judge Michael E. Wiles, on July 19, 2023, certain parties-in-interest in these cases, including the Debtors, the Committee, the Earn Ad Hoc Group, the Borrower Ad Hoc Group, Mr. Tuganov and certain *pro se* creditors, resolved various disputes among the creditor constituencies, including the treatment of Earn Reward Creditors and Retail Borrower Creditors under the Plan as reflected in the fully executed Plan Term Sheet (attached as Exhibit B to the Claim Settlement Motion) (the “Plan Term Sheet”). In addition, the Plan Term Sheet resolves certain pending adversary proceedings filed against the Debtors, demands for substantive consolidation of all Debtors in these cases, and other terms respecting the mediating creditor groups under the Debtors’ Plan.

4. On July 20, 2023, the Debtors and the Committee filed the Class Settlement Motion seeking an order approving the settlement (the “Settlement”) of the Committee’s Class Certification Motion and resolving the allegations in the Class Claim consistent with the Plan Term Sheet.

5. Mr. Tuganov has been actively involved in the negotiation and settlement of the Class Claim and the related settlement of his and other Account Holders’ claims against each of

the Debtors and in the mediation efforts that have led to the mediation settlement reflected in the Settlement.³

RESPONSE

6. Having been an integral part of the settlement and mediation process that led to the Settlement, the Mr. Tuganov strongly supports the Settlement. The Settlement is a fair and efficient way to settle billions of dollars of non-contract fraud claims against the Debtors that would be tremendously costly and time-consuming to litigate, would increase administrative expenses in these cases significantly, and might not, ultimately, afford any individual Account Holder with an enhanced recovery and, most important, likely delay confirmation of the Plan. Instead, the Settlement clearly benefits Account Holders and these estates by (i) providing Account Holders with a 5% increase in their scheduled claims but against *all* Debtors, resolving not only the Class Claim but also the disputes over substantive consolidation in these cases, (ii) settling certain other disputes among creditor classes as reflected in the Plan Term Sheet, (iii) reducing the need for plan reserves or “hold backs” from creditor distributions in order to complete a costly and time-consuming claim reconciliation and adjudication process, and (iv) removing significant obstacles to the plan process that will now enable the Debtors to move forward with a plan that has the support of a number of creditor constituencies.⁴

7. In essence, the Settlement is a “win-win” for all Account Holders, is clearly in the best interests of creditors and these estates, and far exceeds the “lowest point in the range of reasonableness” that is the standard for court approval under Bankruptcy Rule 9019.

³ For the avoidance of doubt, the adversary proceeding commenced by Mr. Tuganov against the Debtors, Adv. Pro. No. 23-01024-mg, is not part of the Settlement and is to be treated in accordance with the Plan Term Sheet.

⁴ The mediation parties are still in the process of attempting to finalize a Plan Support Agreement consistent with the Plan Term Sheet. In addition, as noted in paragraph 27 of the Claim Settlement Motion, the Debtors continue to make progress regarding the potential claims and/or approvals of various government units.

CONCLUSION

For the reasons stated herein, Mr. Tuganov supports the Class Settlement Motion and entry of an order approving the Settlement and granting such other and further relief as is just and proper.

Dated: New York, New York
August 3, 2023

VENABLE LLP

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